subscribe to broadband internet access service, a proportion expected to increase to over 58% by 2010.[102] Each of these households represents a potential VoIP subscriber.

With respect to VoIP in the business markets, Infonetics Research, a major research firm specializing in data networking and telecommunications issues, released a study in May 2006 in which it found:

> - 36% of large, 23% of medium and 14% of small North American organizations interviewed were already using VoIP products and services in 2005.
> - By our estimates, almost half of small and two-thirds of large organizations in North America will be using VoIP products and services by 2010.[103]

It is clear that leading industry analysts predict seismic changes in the structure of the competitive mass market and Enterprise telecom markets in the U.S., with a significant shift away from traditional wireline telephone services and toward intermodal services such as VoIP.

46. In the past, lack of reliable access to 911 emergency service providers was mentioned as a reason that VoIP services may not have been considered to be viable direct substitutes for traditional wireline service. However, this issue has been largely resolved with regard to VoIP customers at fixed locations. The primary remaining VoIP E911 issue currently being addressed by the industry is the problem of "nomadic" E911, involving instances where customers transport their VoIP phone equipment to a location other than the location at which the equipment is registered and attempt to place an E911

[102] *2006 U.S. Consumer Fixed Line Forecast*, The Yankee Group, January 2007.
[103] http://www.infonetics.com/resources/purple.shtml?upna06.ipv.nr.shtml

call from the remote location.[104] Unless the VoIP provider is notified that the customer has changed locations, the E911 call will show the name and address of the location at which the VoIP equipment was originally registered. For example, if customer John Smith registers his VoIP equipment at 123 Main Street in Phoenix, but subsequently takes his VoIP equipment with him on a business trip to Chicago and places an E911 call on that equipment from Chicago without notifying his VoIP service provider, the E911 operator will recognize his call as originating at 123 Main Street in Phoenix. However, if the customer is not "nomadic" and simply uses his or her VoIP equipment at a fixed location as a landline replacement (and has properly notified the VoIP provider of the address of the fixed location), 911 calls from that fixed location are recognized by the E911 operator with the telephone number, name and address of the party at the location at which the VoIP service was initially registered.

In an article in USA Today, AT&T discussed a solution it has devised to address the problem of nomadic VoIP, as follows:

> "AT&T's nomadic solution, called Heartbeat, uses its internet network to track the location of users. Here's how it works: when VoIP customers power down, AT&T's network will automatically suspend VoIP service. Once the phone adapter is plugged back in, AT&T will ask the user to verify his or her location. For customers who indicate they haven't moved, service will be instantly restored. If they have moved, they'll be directed to an 800 number or web page to register the new location."[105]

Again, so long as the VoIP subscriber properly registers his or her location with the VoIP provider, the E911 operator will automatically receive the 911 caller's name, telephone

[104] The FCC ordered all VoIP providers to make their VoIP services fully 911-capable by November 28, 2005, particularly in instances where the customer is "nomadic."
[105] *AT&T Solves VoIP's 911 Issue,* USA Today, October 12, 2005. See Exhibit 6, Page 4.

number and street address. VoIP providers are actively working to resolve the remaining E911 issues driven by nomadic VoIP applications. To the extent the VoIP service is used by the VoIP subscriber to replace wireline service at a static address, VoIP must clearly be viewed as a direct substitute for traditional wireline service.

VIII. WHOLESALE COMPETITION.

47. In addition to retail competitors in the Phoenix MSA, such as CLECs, cable operators, wireless carriers and VoIP providers, there is a class of carriers that offer wholesale services to other communications carriers as a direct alternative for Qwest-provided wholesale services. These carriers offer dark fiber, wholesale access, wholesale transport and finished telecommunications services for use by other telecom providers. Our declaration has already described the Carrier Services now offered by Cox as an alternative to Qwest's wholesale services. In addition, other carriers, including many of the CLECs discussed earlier in this declaration, are now actively offering such services in the Phoenix MSA. For example, AT&T, Covad, Eschelon (which purchased Mountain Telecom in November 2006), Global Crossing, Granite Telecommunications, Integra, Level 3, McLeodUSA, Time Warner Telecom, Trinsic, Verizon/MCI and XO Communications have all self-reported to the FCC that they are offering "carrier's carrier" services to other telecommunications service providers.[106] Since inter-carrier services are often provided on a contractual basis, details of such services are difficult to obtain. However, the presence of numerous providers of such services shows that

[106] *Telecommunications Provider Locator*, Industry Analysis & Technology Division, Wireline Competition Bureau, Table 3, March 2006.

alternatives to Qwest's wholesale telecom services are readily available in Arizona. A brief discussion of the wholesale offerings of a representative subset of these carriers follows.

48. As discussed earlier in this declaration, AT&T provides retail and wholesale services in the Phoenix MSA, and owns a significant amount of fiber in that market for use in providing such services. As AT&T states:

> "Years of experience serving wholesale customers, targeted investment in our network and technology innovation have positioned AT&T as an industry leader. With AT&T Wholesale's dedicated sales, customer care and global operations teams at your side, you will have the networking expertise to support a full range of voice, video, data and IP services - for you and your customers."[107]

On November 13, 2006, AT&T announced that it had been awarded "best national U.S. wholesale provider" by Capacity Magazine as part of that publication's second annual Global Wholesale Awards.[108] AT&T currently offers a full range of wholesale services to other carriers, including local and long distance voice services, data services, internet protocol services, applications services and international services.[109]

49. Covad operates as a facilities-based, integrated telecommunications service provider with infrastructure located in 2,050 central offices in 235 MSAs across the country, including the Phoenix MSA.[110] Covad provides a wide range of retail and wholesale services including business and consumer DSL, Frame Relay, T-1 and VoIP

[107] http://www.business.att.com/?segment=whole See Exhibit 7, Page 1.
[108] http://www.sbc.com/gen/press-room?pid=5097&cdvn=news&newsarticleid=23110 See Exhibit 7, Page 2.
[109] http://www.business.att.com/services.jsp?repoid=ProductCategory&segment=whole See Exhibit 7, Page 3.
[110] Covad Communications Group, Inc.: Third Quarter 2006 Investor Presentation, pages 3 and 5. See Exhibit 7, Pages 6 and 8.

services (with other services, such as Bonded T-1 and wireless to be introduced in 2007).[111] In its Third Quarter 2006 presentation to investors, Covad reported providing wholesale DSL and Line Powered Voice Access ("LPVA"), a VoIP service that requires no special broadband equipment at the customer's location, on a wholesale basis to carriers serving the consumer and small, "single owner" business markets. In addition, Covad reported providing the following wholesale services to carriers serving medium and large Enterprise business customers: Voice Optimized Access ("VOA"), xDSL, T-1 and Frame Access.[112] Regarding its wholesale products, Covad reports that its "unique set of assets will continue to attract strategic partners," including carriers such as Earthlink, AT&T, United Online, XO, Nextlink, Verizon, Sprint, etc.[113] On a consolidated basis (wholesale and retail operations combined), Covad announced in its Fourth Quarter 2006 Earnings Supplement that it has achieved 2006 revenue of $474 million and that 2006 wholesale services revenue was $275 million--representing well over half of Covad's annual revenue stream for the year.[114] Clearly, Covad's strong wholesale facilities-based focus in the residential and business markets is contributing significantly to its growth nationally and within the major markets in Qwest's service territory (including the greater Phoenix area) where it operates.

50. XO offers wholesale services through its XO Communications Carrier Services division, and asserts that it provides wholesale telecom services to entities such as CLECs, Interexchange Carriers, Cable TV providers, wireless service providers and VoIP

[111] *Id.*, page 6. See Exhibit 7, Page 9.
[112] *Id.*, page 6. See Exhibit 7, Page 9.
[113] *Id.*, page 7. See Exhibit 7, Page 10.
[114] Covad Communications Group, Inc.: Fourth Quarter 2006 Earnings Supplement, pages 3 and 6. See Exhibit 7, Pages 18 and 21.

service providers.[115] Its wholesale product portfolio includes wholesale local voice service, long distance service, IP aggregation, dedicated internet access, private line service, DS-1 aggregation, Ethernet services, VoIP services and collocation.[116] XO was one of the first wholesale carriers to deploy a finished wholesale service (entitled "Wholesale Local Voice" service) designed to replace UNE-Platform service.[117] In a 2006 press release, XO states:

> "Launched in August 2005, XO's wholesale offering for CLECs serving the residential and small business markets has rapidly gained momentum as a viable alternative to the unbundled network element platform (UNE-P) provided by incumbent carriers that were eliminated on March 11, 2006. The XO service delivers all the advantages of the UNE-P platform, and enables CLECs to avoid less economical choices such as building their own network facilities, or paying premium prices through commercial agreements or Special Access services from incumbent local exchange carriers."[118]

In addition, it is important to note that XO's wholesale business is not limited to services provided via its landline facilities. As discussed earlier in this declaration, XO's broadband wireless subsidiary, Nextlink, also provides wholesale telecommunications services. Nextlink offers wireless backhaul, as well as network redundancy and diversity services to mobile wireless providers and wireline carriers through fixed wireless broadband technology and over XO's licensed spectrum, which covers 75 metropolitan markets,[119] including Phoenix.[120] It is important to note that Nextlink's wholesale broadband wireless services can be offered in any Qwest wire center in the Phoenix MSA

[115] http://www.xo.com/products/carrier/ See Exhibit 7, Page 30.
[116] *Id.*
[117] In its Triennial Review Order ("TRO"), the FCC determined that wholesale local switching (which is integral to the UNE-Platform service--a finished wholesale service comprised of a local loop and local switching priced at TELRIC rates) need no longer be provided by the RBOCs as an Unbundled Network Element service.
[118] http://www.xo.com/news/292.html. See Exhibit 7, Page 32.
[119] Current Analysis, Company Assessment of XO Communications, July 2006.
[120] http://www.nextlink.com/spectrum_map.htm See Exhibit 7, Page 35.

that is within reach of a Nextlink broadband wireless transmitter/receiver, since such wireless services are not constrained by physical wire center boundaries.

51. As discussed earlier in this declaration, Integra acquired Electric Lightwave ("ELI") in 2006, and Integra is now an integrated provider of retail and wholesale telecommunications services in multiple markets, including the Phoenix MSA. As Electric Lightwave states:

> "Electric Lightwave is one of the most recognized carrier services brands in the country providing communications network services, including transport, internet access and voice services, to telecom providers nationwide. Electric Lightwave carriers gain access to twenty-three metropolitan access networks in eight western states, a nationally acclaimed tier one internet and data network, and high speed long-haul fiber-optic network that interconnects major markets in the West. Electric Lightwave serves hundreds of carriers - meeting their needs everyday."[121]

According to GeoTel, Integra/Electric Lightwave now has approximately [redacted] miles of fiber in the Phoenix MSA that can be used to provide retail and wholesale services. Clearly, Integra is now well positioned via its ownership of ELI to substantially expand its retail and wholesale telecom services base in the Phoenix MSA.

52. Level 3 is a major provider of wholesale telecom services to other carriers, and as stated earlier in this declaration, prior to its acquisition of Broadwing its focus was largely on the wholesale market. Level 3 identifies its primary targeted customers as "RBOCs, major IXCs, major foreign PTTs, major ISPs and Portals, Media Companies, wireless companies, satellite companies, established CLECs, system integrators,

[121] http://www.electriclightwave.com See Exhibit 7, Page 36.

government, academia and content providers."[122] It defines its wholesale services as consisting of five major service categories: voice services, Softswitch, internet and data services, transport services and infrastructure services (which include collocation and dark fiber services).[123] Level 3's October 2006 acquisition of Broadwing expands the scope of Level 3's wholesale telecom service operations, as Level 3 notes that "approximately half of Broadwing's revenue comes from the wholesale market, with business customers comprising the remaining revenue."[124] As noted earlier in this declaration, the combined Broadwing/Level 3 entity has significant facilities in the Phoenix MSA, with over [redacted] fiber miles in Qwest wire centers for use in serving retail and wholesale customers without reliance on Qwest's network.

53. Time Warner Telecom provides both retail and wholesale services, and now owns over [redacted] miles of fiber in Qwest's wire centers in the Phoenix MSA, as discussed earlier in this declaration. Time Warner Telecom's Phoenix network is part of the national Time Warner Telecom network, which delivers communications services over "more than 24,000 miles of fiber networks, to businesses in 30 states and 75 U.S. markets."[125] Time Warner Telecom provides a range of wholesale services, including voice services, internet and data services, switched and transport services and collocation.[126] The long-term agreement between AT&T/SBC and Time Warner Telecom, which extends through 2010, provides AT&T with Special Access and "last

[122] http://www.level3.com/580/html. See Exhibit 7, Page 38.
[123] *Id.*
[124] http://www.level3.com/press/7625.html See Exhibit 7, Page 42.
[125] http://twtelecom.com/about_us/networks/html See Exhibit 3, Page 44.
[126] http://www.twtelecom.com/cust_solutions/application.html See Exhibit 7, Page 46.

mile" connectivity to customers via Time Warner Telecom's network. This provides AT&T with a clear alternative to Qwest Special Access services in the Phoenix MSA.[127]

54. SRP Telecom ("SRP"), based in Tempe, is a provider of carrier infrastructure products and services to wireline and wireless carriers in the Phoenix MSA, and owns a 950 route mile fiber network serving the area.[128] SRP states: "our 950 route mile fiber network allows us to be extremely flexible in designing fiber solutions to reach your customers. Because our fiber generally parallels our electric system, there are few customers we don't reach."[129] Further, SRP maintains:

> "our network also reaches 20 central offices, switches and other carrier points-of-presence. These serve as a fundamental access and transport network for some of our carrier customers. By coordinating new fiber build out with our electric system expansion, we extend our network cost-effectively to new commercial buildings and customers - usually well ahead of other fiber providers."[130]

In other words, the already-extensive SRP Telecom wholesale fiber network is not static--it is constantly being expanded and upgraded to provide service to an even greater geographic area within and outside the Phoenix MSA. SRP Telecom represents yet another source of wholesale telecom services which enable competitive carriers to provide retail telecom services without reliance on Qwest's network in the Phoenix MSA.

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[127] Time Warner Telecom press release: *Time Warner Telecom, AT&T, SBC Extend Long-Term Service Agreement,* June 1, 2005. See Exhibit 7, Page 48.
[128] www.srpnet.com/telecom/default.aspx See Exhibit 7, Page 51.
[129] *Id.*
[130] *Id.*

IX. SYSTEMS INTEGRATORS.

55. In addition to the range of competitors discussed above, a number of "systems integrators,"[131] such as Electronic Data Systems, Data Systems Corp, IBM, Accenture, Northrop Grumman and New Edge Networks are now providing "single point of contact" telecommunications services to business customers. Additionally, a variant of the systems integrator model, called "Virtual Network Operators (VNO)" has appeared in the Enterprise business market. For example, Virtela is a VNO that refers to itself as a "Super Integrator" that leases network capacity from other providers and owns network intelligence hardware and software unique to its service portfolio.[132] With the ever-increasing complexity of communications systems, large businesses are turning to systems integrators to assess, plan and manage their telecommunications systems. The increasing demand for systems integrators is driven by the need for extensive planning and management required to create converged communications systems--blending voice, data, video, internet and wireless applications--without having to create new physical networks from whole cloth.

56. Systems integrators have shown that they can compete successfully against traditional telecommunications providers.[133] In the Enterprise business market, nearly half of all medium and large enterprises utilize some form of managed telecom and IT

[131] Systems Integrators provide "single point of contact" design and management of complex telecommunications systems and minimize the need for businesses to perform these functions in-house. Systems Integrators are also known as Managed Telecom Service Providers.
[132] http://www.virtela.net/ See Exhibit 8, Page 1.
[133] The North American managed telecom service market generated $18.6 billion in revenues in 2006 and is expected to generate $29.5 billion in 2012. Source: *North American Managed Telecom Services Markets*, Study N022-63, Frost and Sullivan, 2006, P. 29.

services.[134] For example, New Edge provides managed telecom services in many U.S. markets, including Phoenix, to "telecom carriers, small to midsize businesses and large corporations."[135] IBM also provides systems integration services through its IBM Converged Communications Services division, and states "IBM can help you design, deploy and manage an IP telephony infrastructure that can help reduce the costs associated with managing and maintaining separate voice and data equipment and networks, and increase the productivity of your employees."[136] Mammoth Networks, with operations in Phoenix, provides DSL, Frame Relay and ATM service aggregation. Mammoth states: "we have built out a nine-state, 14 LATA network for the benefit of ISPs, CLECs, DLECs, integrators and virtual ISPs. Mammoth Networks provides flexibility by allowing you to connect your DS1s and DSL customers to our network, while having those circuits invoiced to you."[137] These are just a few of the expanding array of competitive alternatives offered by systems integrators serving the medium and large Enterprise business markets.

X. CONCLUSION.

57. The Phoenix MSA is one of the most robustly competitive markets in Qwest's 14 state region, with a wide array of intermodal and intramodal carriers now actively competing in the market. In every Qwest wire center in the Phoenix MSA, customers now have the choice of at least one, and often many more, alternatives to Qwest's retail

[134] *Id.*, P. 10.
[135] http://www.newedgenetworks.com/products/ See Exhibit 8, Page 2.
[136] http://www-935.ibm.com/services/us/index.wss/offering/gn/a1025378 See Exhibit 8, Page 3.
[137] http://www.mammothnetworks.com/index.php See Exhibit 8, Page 4.

telecommunications services. This collection of competitors ranges from traditional wireline CLECs, to cable-based telecom service providers, to wireless (narrowband and broadband) providers to VoIP providers. In addition, multiple wholesale telecom service providers are now actively offering services as alternatives to similar services provided via Qwest's network in the Phoenix MSA. Qwest's service territory in the Phoenix MSA is now fully competitive, and it is clear that Qwest cannot exercise market power in view of the scope and composition of competition that now exists in that MSA.

We declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on April 26, 2007

Robert H. Brigham

David L. Teitzel

STAMP & RETURN COPY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Petition of Qwest Corporation for Forbearance	)	WC Docket No. _____
Pursuant to 47 U.S.C. § 160(c) in the Seattle,	)	
Washington Metropolitan Statistical Area	)	

PETITION OF QWEST CORPORATION FOR FORBEARANCE PURSUANT TO 47 U.S.C. § 160(c)

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QWEST CORPORATION

April 27, 2007

REDACTED – FOR PUBLIC INSPECTION

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Petition of Qwest Corporation for	)	
Forbearance Pursuant to	)	WC Docket No._____
47 U.S.C. § 160(c) in the	)	
Seattle Metropolitan Statistical Area	)	

DECLARATION OF ROBERT H. BRIGHAM AND DAVID L. TEITZEL REGARDING THE STATUS OF TELECOMMUNICATIONS COMPETITION IN THE SEATTLE, WASHINGTON METROPOLITAN STATISTICAL AREA

I. INTRODUCTION AND SUMMARY.

1. My name is Robert H. Brigham. My business address is 1801 California Street, Denver, Colorado 80202, and I am currently employed by Qwest Service Corporation ("QSC")[1] as a Staff Director in the Public Policy department. In my current position, I develop and present Qwest's advocacy before regulatory bodies concerning pricing, competition and regulatory issues. I have been employed by Qwest and its predecessor companies for over 30 years, holding various management positions in Marketing, Costs and Economic Analysis, Finance and Public Policy. I have testified before numerous state commissions in the Qwest region.

[1] QSC performs support functions, such as regulatory support, for other Qwest entities.

2. My name is David L. Teitzel. My business address is Room 3214, 1600 7th Ave., Seattle, WA 98191. My title is Staff Director and I am a member of QSC's Public Policy organization. In that position I develop and present company advocacy in matters relating to the manner in which Qwest Corporation ("Qwest") is regulated for retail services. These matters include regulatory reform in dockets before state Commissions and the FCC. I have been employed by Qwest and its predecessor companies for over 32 years and have held a number of management positions in various departments, including Regulatory Affairs, Network and Marketing.

3. The purpose of this declaration is to demonstrate that extensive competition exists for Qwest's mass market and enterprise telecommunications services in the Seattle Metropolitan Statistical Area ("MSA") from a wide variety of intramodal and intermodal competitors. Consistent with the analytical framework the Commission applied to Qwest's earlier request for forbearance with respect to the Omaha MSA, the facts and evidence contained herein show that these competitors are competing with Qwest in the Seattle MSA via a full range of telecommunications service platforms. Many of Qwest's competitors compete for customers by building their own facilities or utilizing other non-Qwest facilities (including competitive fiber networks, coaxial cable networks, wireless services, internet-based services, etc.). Competitors also compete via the purchase of wholesale services from Qwest; including the purchase of unbundled network elements,

Qwest Platform Plus ("QPP"),[2] Special Access, and retail services sold at a resale discount.

4. Our declaration and associated exhibits contain information obtained from publicly-available sources and internal Qwest databases, and the sources of data upon which we rely in this declaration are fully identified. We attest that all Qwest data in this declaration is accurate as of the filing date of Qwest's petition in this proceeding and that any information obtained from non-Qwest sources is shown precisely as it is reported by the source. A summary of the competitive information in our declaration is set forth below.

5. As of 2005, U.S. Census data shows that there were approximately 793,000 households and 2.5 million people in the Seattle MSA,[3] up from 742,000 and 2.3 million respectively in 2000.[4] Clearly, the Seattle MSA is experiencing a steady growth trend, with households up 7% and population up 9% over this timeframe, and it can be assumed that demand for telecommunications services in the Seattle area has increased apace. However, Qwest's retail access line base has fallen sharply in the Seattle MSA since 2000, contrary to the upward trends in housing and population, as residential and business customers have availed themselves of the ever-expanding array of competitive

[2] In January 2007, CLECs began converting their QPP-based services to the new Qwest Local Services Platform ("QLSP") wholesale service as discussed later in this declaration.

[3] The Seattle MSA is entirely within King County.

[4] http://www.census.gov/popest/housing/HU-EST2005-CO.html; http://www.census.gov/population/www/estimates/Estimates%20pages_final.html. (Table 1).

alternatives to Qwest's services. As shown in Table 1 below, Qwest's retail residential, business and public coin access line base in the Seattle MSA has declined dramatically since 2000:[5]

----------begin confidential----------

Table 1

Qwest Retail Access Lines in the Seattle MSA

Retail Service	Dec. 2000	Dec. 2006	Difference	% Difference
Residential	[redacted]	[redacted]	[redacted]	[redacted]
Business	[redacted]	[redacted]	[redacted]	[redacted]
Public	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]

----------end confidential----------

These access line trends are clearly being driven by the proliferation of intramodal and intermodal competitive alternatives to Qwest's services in the Seattle MSA, and the range of alternatives continues to expand, as we discuss in our declaration.

6. The mix of competitive alternatives in the Seattle MSA continues to evolve, with traditional competitors such as CLECs continuing to aggressively compete with Qwest and intermodal forms of competition such as wireless and Voice over Internet Protocol

[5] These results exclude any access line losses occurring prior to December 2000 and therefore understate the extent of competitive losses in the Seattle MSA.

("VoIP")[6] rapidly gaining significant portions of the communications market. It is noteworthy that CLECs are lightly regulated and intermodal competitors are generally subject to even less regulation. Since these competitors are under no obligation to report customer in-service data,[7] especially at the MSA level, precise measurements of competitor "shares" are not possible to obtain. However, independent research houses have addressed this issue by conducting primary customer research to quantify competitive telecommunications dynamics, and Qwest has purchased such research to gain insights into market trends. For example, TNS Telecoms, an independent research firm, conducts a quarterly "share" analysis in each of the states to estimate competitors' shares of the residential telecommunications markets and to provide insights into the changes in competitive trends. In conducting its study, TNS collects actual billing information from a statistically-reliable sample of customers in each state[8] and tabulates the number of residential customers subscribing to Qwest service (landline, DSL or wireless) as well as services of non-Qwest landline and wireless competitors. TNS uses this data to calculate "shares of customer connections" (excluding video connections) for each service provider in the consumer telecommunications market.[9] In calculating

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[6] VoIP services are now offered on a "stand-alone" basis by provider such as Vonage, SunRocket, Packet8, etc., as well as on an "integrated" basis by Cable MSOs such as Comcast, Millennium Communications, Charter Communications, etc.

[7] The regulatory status of local telephone service provided by VoIP technology is the subject of an open FCC proceeding (IP-Enabled Services, WC Docket No. 04-36, Notice of Proposed Rulemaking, 19 FCC Rcd 4863). Currently, telecom providers are not required by FCC instructions for Form 477, which is the reporting tool used by telecom providers to report in-service access line counts to the FCC, to report VoIP-based access lines. If the FCC rules in its pending IP services proceeding that VoIP service is a telecommunications service, providers of these services may be required to report in the future access lines served via VoIP. However, until that time, providers utilizing VoIP to provide service are not required to report in-service data to the FCC.

[8] In Qwest's 14 state territory, the TNS research sample is drawn strictly from exchanges within the Qwest service area footprint and does not include data from Independent service territory.

[9] TNS Telecoms does not conduct a "connections share" analysis for the business market, and instead produces a "share of total telecom spend" analysis for the business segment.

"connections shares," TNS defines a "connection" as any telecommunications service used by the customer. A residential access line, a wireless service and a broadband internet line used by a customer would each be counted as a discrete "connection" under TNS' definition in its calculations of "connections shares." For example, a customer with Qwest landline service, Qwest DSL service and Verizon Wireless service would be counted as having three "connections," and Qwest's "connections share" in this example would be 66%. In fourth Quarter 2000, TNS reported Qwest's share of residential communications connections in the Seattle MSA at [redacted]. By fourth Quarter 2006, Qwest's share of residential communications connections in the Seattle MSA had declined to [redacted].[10] Clearly, this data confirms that an increasing number of Seattle-area consumers are utilizing non-Qwest telecom alternatives to satisfy their telecommunications needs.

7. In the Business markets, developing precise measurements of "share" is equally difficult, in view of the diverse scope of intramodal and intermodal competition that now exists in the Seattle MSA and the general lack of availability of customer in-service data for these competitors. However, TNS Telecoms also conducts primary research in the small business and enterprise business segments and has assembled "revenue share" estimates for those markets that indicate competitive trends.[11] TNS classifies businesses generating less than $1,500 in monthly telecom spending as "mass market" business customers, and businesses spending at or above this level as "enterprise" business

[10] Source: TNS Telecoms, February 2007.

[11] TNS Telecoms does not collect connections share data in the business market.

customers. TNS' research shows that, as of the fourth Quarter 2006, Qwest's revenue share in the Seattle MSA was [redacted] for small business and had declined to only [redacted] in the enterprise market. Thus, a large and expanding proportion of both small and enterprise business customers in the Seattle MSA are purchasing a wide array of telecommunications services from Qwest's competitors, as described in the following sections of our declaration.

8. Comcast Communications is the predominant cable provider serving the Seattle MSA[12] and is aggressively competing with Qwest in the telecommunications market. As of December 2006, Comcast was serving a geographic area within the Seattle MSA encompassing Qwest wire centers that account for over [redacted] of the Qwest retail residential lines and [redacted] of the Qwest retail business lines in the Seattle MSA.[13] As is discussed in this declaration, Comcast competes with Qwest via an extensive coaxial cable and fiber network and utilizes Comcast-owned switches. Its Comcast Digital Voice ("CDV") service utilizes VoIP technology and is being marketed very aggressively in all Comcast markets in Washington, including the greater Seattle area. Comcast offers a broad range of telecommunications services to residential, small business and enterprise business customers in the Seattle MSA.

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[12] Millennium Digital Media retains the franchise for cable service in the downtown Seattle area of the Seattle MSA, and, similar to Comcast, also provides cable television, broadband internet and digital voice telephone service to the downtown Seattle area. as discussed later in this declaration.

[13] Based on Comcast media coverage map of the Seattle, WA DMA. The combination of Comcast and Millennium Digital Media serve wire centers encompassing [redacted] of Qwest's residential lines and virtually [redacted] of Qwest's business lines in the Seattle MSA.

http://seattle.comcastspotlight.com/sites/Default.aspx?pageid=4513&siteid=110&subnav=2. See Exhibit 1, Page 1.

9. In addition to Comcast, there are at least [redacted] unaffiliated CLECs actively competing with Qwest in the Seattle MSA, ranging from CLECs of national scope, such as AT&T, McLeodUSA, Verizon and XO Communications, to regional CLECs such as Eschelon, TelWest and Integra. As discussed in following sections of our declaration, CLECs in Washington are serving residential customers as well as business and governmental customers of virtually all sizes. As of December 2006, CLECs are competing with Qwest in 100% of the wire centers in the Seattle MSA.[14]

10. A significant amount of fiber optic cable has been placed by competitive service providers in the Seattle MSA, and this fiber is used to bypass Qwest's network. According to GeoTel, over [redacted] miles of fiber (*excluding* fiber owned by Qwest and Qwest's affiliates) has been placed in the Seattle MSA. This fiber is typically used by Qwest's competitors to serve enterprise businesses and wholesale customers.[15] The GeoTel data shows that at least one fiber-based competitor is present in [redacted] of Qwest's wire centers in the Seattle MSA, and these wire centers contain [redacted] of Qwest's retail residential lines and [redacted] of Qwest's retail business lines in the Seattle MSA. In addition, competitive fiber is now being used to serve over [redacted] buildings in the Seattle MSA.[16]

[14] Source: Qwest Wholesale Database, December 2006.

[15] GeoTel continually works to update its data regarding fiber-based competitors and provides updated data approximately every six months. However, GeoTel does not possess complete data regarding each fiber-based competitor, and the data reported above is therefore likely understated. GeoTel data underlying the numbers above was provided to Qwest in October 2006.

[16] Source: GeoTel, October 2006.

11. Landline-based competitors are also using Special Access services purchased from Qwest to serve customers in the Seattle MSA. As of December 2006, competitors purchased over [redacted] voice grade equivalent ("VGE") special access channels in this geographic area--a number that exceeds the number of VGE circuits provided to CLECs via unbundled network elements, Qwest Platform Plus and resale combined.

12. Wireless service is used as a direct substitute for traditional landline service by an ever-increasing number of customers and is contributing to Qwest's retail access line reductions. At least four major wireless service providers, including Verizon, AT&T, T-Mobile and Sprint, are now providing service in the Seattle MSA,[17] with at least one wireless carrier providing wireless service in every Qwest wire center. The Commission's recent Commercial Mobile Radio Services ("CMRS") report released on September 29, 2006 cites to various sources in estimating that 6 to 12 percent of U.S. households have replaced their landlines with wireless service.[18] Other research, however, suggests that these estimates may actually understate the proportion of customers in the Seattle MSA who have "cut the cord." On October 18, 2006, Telephia, an independent research entity specializing in Consumer market research, released results of primary research conducted during second Quarter 2006 in 20 major U.S. markets showing that 13.2% of the households polled in the Seattle metropolitan area used only

[17] Qwest also provides wireless service in the Seattle MSA. According to TNS Telecoms data, however, Qwest holds only a [redacted] share of the consumer wireless market in the Seattle/Tacoma/Olympia area.
[18] CMRS Report at pp. 89-90.

wireless service in their homes and no longer subscribed to landline telephone service.[19] There can be no doubt that wireless service is a significant and continually growing form of direct competition to Qwest's landline service business in the Seattle MSA.

13. As discussed later in our declaration, the number of wireless subscribers in Washington climbed to 4.4 million in June 2006 and now exceeds the number of ILEC and CLEC lines *combined* in the state by nearly 1 million. Further, as described later in our declaration, Yankee Group research found that more than 51% of local calls and 68% of long distance calls have been replaced by wireless. As customers with both a wireless and wireline phone find that an increasingly significant proportion of their voice calls (as well as internet access functionality) can be accommodated by cellular phones, an even greater proportion of Qwest's residential and business landline customer base will be encouraged to "cut the cord."

II. CABLE SERVICES COMPETITION.

14. The Seattle MSA is served by two primary cable Multi Service Operators ("MSOs"), Comcast and Millennium Digital Media ("Millennium"), with Comcast by far the more significant of the two in terms of scale. According to the City of Seattle, Millennium "services approximately 17,000 Seattle cable subscribers with cable television and internet services and is the sole cable operator in the Central Area

[19] *Midwesterners Cut the Cord: Households in Detroit and Minneapolis-St. Paul Have The Highest Rate of Wireless Substitution Among 20 Largest U.S. Cities, According to Telephia*: Oct. 18, 2006. See Exhibit I, Page 2.